



Department of the Taoiseach



***“... a best in breed payments environment which delivers efficiencies to all sectors of the economy, is inclusive of all sectors of society, and shares the benefits universally”***

### **First National Payments Conference is a success.**

The First National Payments Conference, held on December 12<sup>th</sup>, 2006, was a tremendous success with more than 200 attendees representing consumers, business, public administration, disadvantaged groups, as well as banks, credit unions and An Post. A number of suppliers to different segments of the payments business were also represented at the conference.

#### ***What the papers said:***

***“Cash economy costs €1.6bn.....”***  
(Irish Examiner, 13<sup>th</sup> Dec, 2006)

***“Time warp Irish still flashing the cash”***  
(Irish Independent, 13<sup>th</sup> Dec, 2006)

***“Cash dependence not justifiable”***  
(Irish Times, 13<sup>th</sup> Dec, 2006)

### ***What the speakers said:***

**Brian Cowen, T.D.**, Minister for Finance, opened proceedings by putting the current drive for e-payments into context and lending his support to both the unfolding Single Euro Payments Area (SEPA) and Ireland's National Payments Implementation Programme (NPIP). He also pointed to substantial recent developments towards electronic payments in the public sector, with 66,000 Irish farmers now receiving their payments electronically from the Department of Agriculture, while 37% of welfare payments are also made through that channel.

**Dr. Don Thornhill**, Chairman of IPSO set out the agenda and objectives of the conference, drawing particular attention to significance of the payments infrastructure in the context of Irish national competitiveness. He pointed to our high cash usage levels, high cheque usage levels and the relatively low penetrations of card and other electronic payment options.

**Harry Leinonen**, Advisor to the Bank of Finland, gave an interesting insight into the payments infrastructure in Finland where the benefits of the highly electronic enabled payment systems accrue to all users of those systems, but particularly the business community. A key feature of the Finnish system is the well-developed e-invoicing system, which in turn is now being strongly promoted by the European Commission in the context of SEPA.

**Stewart MacKinnon**, Chief Executive of IPSO, focussed on the vision for the payments infrastructure for 2012. He emphasised the need for all significant players in the payments environment to participate and engage in the process of change.

The options for consumers were outlined by **Adrian Cannon**, Managing Director of Account. Adrian covered a number of payment options being widely used as alternatives to cash and cheques, including recent advances in the use of cards and the mobile phone technologies.

**Colm McCarthy**, Economist, gave a wider macroeconomic perspective on the use of cash and paper for payments, and pointed out that transitioning to a greater use of electric mechanisms for funds transfer presented challenges in some sectors while yielding positive returns across the economy.

**John Hurley**, Governor of the Central Bank & Financial Services Authority of Ireland, spoke about the regulatory aspects of payments and gave his enthusiastic support for SEPA and NPIP. Significantly, he also announced the acceptance of the Laser debit card scheme as a qualifying / regulated payment scheme.

### ***What the participants said in breakout sessions:***

In the breakout sessions participants had the opportunity to air and exchange views on the three main topics around transitioning to a predominantly electronic payments system – Universal Access, Cash, and Cheques. The sessions were independently chaired by Brendan Logue, the Registrar of Credit Unions (Universal Access), Dermot Jewell, Chief Executive Officer, the Consumers' Association of Ireland (Cash) and John Dunne, Chief Executive, Chambers Ireland (Paper).

Quite a number of viewpoints were exchanged in the sessions and the following is a summary of the issues raised in each: -

### **Universal Access**

- **The need for a detailed analysis of the figure of 11% for those classified as “unbanked”**
- **Deficiencies in the financial infrastructure, from a geographic perspective**
- **The degree to which there is a literacy issue**
- **The impact of bank charges**
- **The impact of stamp duty on cards for transitioning to a low-cash society**
- **Perceptions of lack of accessibility for the “unbanked”**
- **Problems of access to internet / telebanking**
- **Combat Poverty’s seven exclusions (from their recent report on financial inclusion)**
- **Credit Union technology and capacity issues**
- **The potential roles for Credit Unions and An Post**
- **The need to have a coherent and transparent consumer proposition**
- **The degree of responsibility for the State in creating an e-payments environment**
- **The need for more research on the issues, obstacles and opportunities presented in transitioning to a low-cash society**
- **The need for a National Strategy Group**

### **Paper to Electronic**

- **The focus should be on a “Less” or “Low” cash Society rather than on a “Chequeless” Society**
- **The need to address the barriers to transition**
- **Risk Sharing – banks shifting risk – need for a better model**
- **Access to the Internet**
- **Regulatory complexity e.g. electronic dividends, but paper tax warrants**
- **The “cheque in the post” syndrome**
- **The significance of information in addressing concerns**
- **Pricing differentials – Section 149 is an obstacle**
- **Competition Law and the restrictions on banks to work as a collective**
- **Worries about double payments**

## **Cash to Electronic**

- **The need to clarify the ‘legal right to cash’ in terms of any legislative changes that might be required**
- **The perceived disincentives,**
  - **Stamp Duty on cards**
  - **Merchant Service Charge**
  - **The preference for cash in some areas (e.g. An Post and some utilities)**
- **The need to verify the ‘1% cost-of-cash’ figure in terms of what it means to consumers, and where the savings would accrue**
- **The need to consider who owns the problem**
- **The scope and potential to incentivise solutions**
- **Need to clarify the respective beneficiaries**
- **The importance of trust amongst all parties**
- **The issues around the black / grey economy**
- **The need to embrace all interests**
- **Leadership required by Government (Dept. of the Taoiseach)**
- **The need for a structure with goals and deadlines, perhaps along the lines of the Euro-Changeover Board**
- **Cheques are a significant part of the problem and need to be addressed as a first step**
- **The need to create awareness, particularly amongst young people**

Wrapping up the proceedings for the day, **Dermot McCarthy**, Secretary General to the Government, summarised the key outcomes in terms of follow-up actions to be taken to continue the process of transformation in the payments sector. He said that it was clear from what had emerged that action was required in many sectors, and that further examination of the issues raised would contribute significantly to the promotion of a more shared vision and purpose and a concerted effort to streamline the payments aspects of trade and administration. Therefore, the Advisory Group that had operated in the build-up to the conference should, perhaps, revise its structure in the light of the days events with a view to promoting and engaging in further consultation and more in-depth research on the “best” countries, with a particular focus on, regulation, incentives and products.

## **National Advisory Group follow-up**

Given the number of issues that came up during the conference, the Advisory Group had a lot to digest at their review meeting in January where a programme of work for 2007 was considered. The priority area of effort is further research, and it is hoped that sufficient progress on this will be completed by mid-year to guide a framework of activity for the remainder of 2007. This may include a further conference in the September/October period.

The Advisory Group membership has also been increased to provide a wider degree of representation. While it is not possible or practical to have every interested party on the Advisory Group, every effort will be made to solicit and embrace the widest possible body of opinion as different elements of the programme emerge.

We would welcome your views and feedback. We would also appreciate your assistance, if called upon, in relation to some of the research work.

Thanks to all who contributed to the success of the conference.

Finally, it is useful to restate the words of John Hurley, referring to the National Payments Implementation Programme:

***“Rapid progress in implementing the Programme would do much to enhance the efficiency of the whole payments area and impact most positively on the competitiveness of the entire Irish economy”***

(John Hurley, Governor of the Central Bank & Financial Services Authority of Ireland)

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### **Web links:**

<http://www.taoiseach.gov.ie/>

[www.ipso.ie](http://www.ipso.ie)

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